

ORIGINAL

Decision No. 58912

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
LYLE V. SCOTT, dba SCOTT TRANSPORTATION
CO., a sole-proprietorship, for permis-
sion to transfer the physical assets,
business, operating rights, and all
other assets and appurtenances of said
company, to the SCOTT TRANSPORTATION
CO., a corporation;

AND

The Application of the SCOTT
TRANSPORTATION CO., a corporation, for
permission to issue Shares of its
capital stock to LYLE V. SCOTT.

Application No. 41344

O P I N I O N

This is an application for an order of the Commission
(1) authorizing Lyle V. Scott, doing business as Scott Transportation
Co., to transfer operative rights and equipment to Scott
Transportation Co., a corporation, and (2) authorizing Scott
Transportation Co., a corporation, to issue 1,900 shares of its
capital stock of the aggregate par value of \$19,000.

Lyle V. Scott is engaged in the operation of a highway
common carrier service for the transportation of property between
Los Angeles, San Bernardino, Redlands, Colton, Highland, Rialto,
and Fontana, California, on the one hand, and Victorville, George
Air Force Base, Apple Valley, Lucerne Valley, Adelanto, Hesperia,
Barstow, Camp Irwin, Daggett, Yermo and Hinkley, California, on
the other hand, as more particularly described in Decision
No. 51748, dated July 26, 1955.

In addition, applicant is a party to through routes and joint rate agreements with Aetna Freight Lines, Constructor Transport Company, Delta Lines, Inc., Griely Security Freight Lines, Pacific Intermountain Express, Western Truck Lines, Ltd., and Southern California Freight Lines. According to Exhibit C filed in this proceeding, its total revenues for the year 1958 amounted to \$73,575.28 and its net operating income before income taxes for the year ended December 31, 1958, amounted to \$5,444.53.

It appears that applicant is desirous of conducting its motor carrier operations under a corporate form of organization in order to provide a more suitable and more lasting form of operation, which will enable the business to sustain itself in the event of the death or disability of the sole-proprietor. In order to accomplish this objective, applicant has caused to be formed Scott Transportation Co., a corporation, which will take over the operative rights and equipment of Lyle V. Scott, and will continue the operations formerly conducted by that individual. The new corporation will acquire the tangible equipment at its book value and will issue shares of its capital stock to finance the acquisition. A balance sheet of the sole-proprietorship as of March 31, 1959, is contained in Exhibit B attached to the application, and is as follows:

Assets

Current assets -		
Cash in bank	\$ 602	
Accounts receivable	5,906	
Other current assets	<u>1,000</u>	
Total current assets		\$ 7,508
Property -		
Operating property	\$49,580	
Less - depr. accrued	<u>15,600</u>	
Net operating property		33,980
Nonoperating property	3,351	
Less - depr. accrued	<u>1,508</u>	
Net nonoper. property		<u>1,843</u>
Total property		35,823
Other assets -		
Intangible property	100	
Deferred debts	<u>50</u>	
Total other assets		<u>150</u>
Total assets		<u>\$43,481</u>

Liabilities

Current liabilities -		
Accounts and wages payable	\$ 3,551	
Other current and accrued liab.	<u>352</u>	
Total current liabilities		\$ 3,903
Equipment and other long-term obligations		20,448
Proprietary capital		<u>19,130</u>
Total liabilities		<u>\$43,481</u>

The new corporation will continue the present motor carrier operations of the sole-proprietorship in substantially the same manner as at present and under the same management and with the same facilities. It appears that there will be no change in the rates or service to the public and, accordingly, we are of the opinion, and so find, that the proposed transfer will not be adverse to the public interest. We will enter our order granting the application.

Applicants are placed on notice that operative rights, as such, do not constitute a class of property which may be capitalized or used as an element of value in rate fixing for any amount of money in excess of that originally paid to the state as a consideration for the grant of such rights. Aside from their purely permissive aspect, they extend to the holder a full or partial monopoly of a class of business over a particular route. This monopoly feature may be changed or destroyed at any time by the state, which is not in any respect limited as to the number of rights which may be given.

The action taken herein shall not be construed to be a finding of the value of the operative rights and equipment herein authorized to be transferred.

O R D E R

The Commission having considered the above-entitled matter and being of the opinion that a public hearing is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required by applicant corporation for the purpose specified herein, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Lyle V. Scott, doing business as Scott Transportation Co., on and after the effective date hereof and on or before December 31, 1959, may transfer to Scott Transportation Co., a corporation, the operative rights acquired by him by virtue of Decision No. 51748, dated July 26, 1955, and the operative equipment as set forth in this application.

2. Scott Transportation Co., a corporation, in acquiring said operative rights and equipment, may issue not to exceed 1,900 shares of capital stock of the total par value of \$19,000.

3. On not less than five days' notice to the Commission and to the public, effective concurrently with the consummation of such transfer, applicants shall supplement or reissue the tariffs on file with the Commission naming rates, rules and regulations governing the operations here involved to show that Lyle V. Scott, doing business as Scott Transportation Co., has withdrawn or canceled and Scott Transportation Co., a corporation, has adopted or established, as its own, said rates, rules and regulations. The tariff filings made pursuant to this order shall comply in all respects with the regulations governing the construction and filing of tariffs set forth in the Commission's General Order No. 80.

4. Scott Transportation Co., a corporation, shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

5. The authority herein granted will become effective 20 days after the date hereof.

Dated at San Francisco, California, this 25th day of August, 1959.

[Signature]
President
[Signature]
[Signature]
[Signature]
Commissioners